

Special Investigative Audit – Epic Charter Schools

Brad Clark

General Counsel

December 16, 2021



OKLAHOMA
Education



Special Investigative Audit

- Audit requested in July 2019
- Audit released on Oct. 1, 2020 - \$11,235,920 in improper apportionment, disbursement and classification of funds
- Epic: “work of fiction written by a former reporter” and “pure politics on display”

Administrative Payroll Costs – 70 O.S. § 18-124



- If expend for administrative services more than 5% of total expenditures shall have the excess withheld from state aid the following year
- Administrative services include:
 - Staff for board of education;
 - Secretary/clerk for board of education;
 - Staff relations;
 - Negotiations staff
 - Immediate staff of the superintendent; any elementary superintendent or any **assistant superintendent**;
 - Any superintendent, elementary superintendent, or assistant superintendent;
 - Any employee of a school district employed as a **director, coordinator, or supervisor, or who has responsibility for administrative functions of a school district**; and
 - Any consultant hired by the school district.

I hereby certify to the best of my knowledge and belief, the data reported constitutes an accurate and full report of all revenues and expenditures during the previous fiscal year under OAC.....I understand this data will be used for many purposes, including....reporting to state legislature, USDE....I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise.

Pending Precertification. Click to show less...

Your uploads have been certified by the OCAS staff.

By entering my initials and selecting the "Certify These Uploads" tab, I hereby certify to the best of my knowledge and belief, the data reported constitutes an accurate and full report of all revenues and expenditures during the previous fiscal year under OAC 210-25-5-4 and OAC 210-25-7-1. I understand this data will be used for many purposes, including but not limited to, reporting to state legislature, USDE, and in the calculation of your district's Maintenance of effort and any penalties in accordance with the applicable statutes. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. ([Edit](#))

Enter Your Initials:

☐ I have reviewed the District Maintenance of Effort Special Ed Report and the information is correct.
☐ I have reviewed the Administrative Cost Details Report and the information is correct.
☐ I have reviewed the Excess Cost Report 2014 and Later By District Report and the information is correct.
☐ I have reviewed the ESSA Maintenance of Effort calculation in the OCAS manual.

[OCAS Admin - Uncertify These Uploads](#)
Uncertify button only seen by OCAS Admins

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Audits – 70 O.S. § 18-118

Audit disclose that state monies have been illegally apportioned to, or illegally disbursed or expended by, a school district or any of its officers or employees?

If yes, the State Board has a duty to make demand that the monies be returned

Demand for Return of \$11,235,919

20 Oct. 2020

OSBE demand letter for Epic to return within 60 days of receiving the work papers from the State Auditor, the \$11,235,919.

Dec. 2020

State Auditor supplies OSDE and Epic with work papers; Epic objects to new or edited documents

15 Jan. 2021

OSDE agrees in part and requests full documentation that was used for the 10/1 audit

22 Jan. 2021

All work papers provided

24 Mar. 2021

Epic to respond to OSBE demand

5 Feb. – 2 Mar. 2021

Epic responds to OSBE demand letter

State Auditor

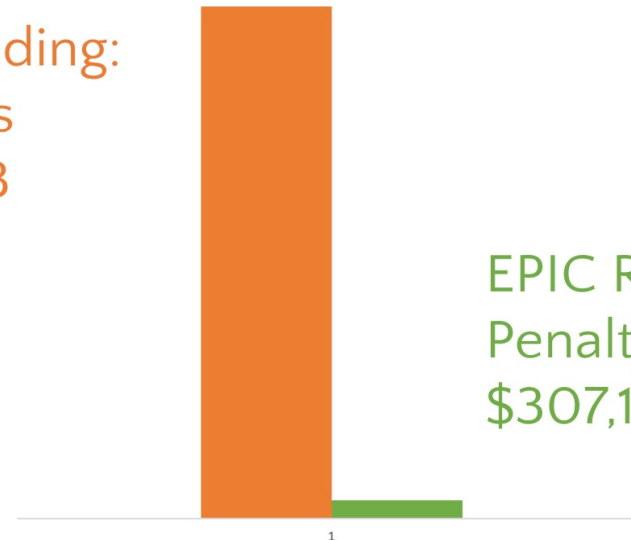
Epic Response

***Finding** One-on-One failed to properly classify and report \$8,906,240.09 in administrative payroll costs. Factoring in an already reported FY 2019 administrative cost penalty of \$530,527.20, the remaining administrative cost penalty would amount to \$8,375,712.89.*

SAI Audit Overstates Penalty Owed by \$8,068,565*

SA&I Audit Finding:
EPIC owes
\$8,375,713

EPIC Review:
Penalty Due
\$307,148



*As Of October 1, 2020



Oklahoma State Dept. of Education Review

Objective: perform independent
evaluation of the administrative cost
findings in the Special Investigative
Audit report

Methodology

- State Audit report and work papers
- Epic response and supporting documentation
- Applicable laws and regulations
- Oklahoma Cost Accounting System Manual
- Source documents
- Recalculate administrative costs for employees in question
- Decisions based on data that provided relevant, reliable and evidence to support outcome

OKLAHOMA ANNUAL CERTIFIED PERSONNEL REPORT
FOR THE YEAR ENDING JUNE 30th, 2016

County: 55 OKLAHOMA

District: 2001 EPIC ONE ON ONE CHARTER SCHOOL

Teacher #	Last Name	First Name	MI	Sex	Degree Held	Year Cert. Exp.	Exp: Oklahoma	Out of State	Military	Tot. Exp.	RFL		
				M	5	2024	18	0	0	18			
Site	Fract of Day Empl	No. of Days	Contract Days	Job Code	Job Description	Subject Code	Base Salary	Retirement (Dist Paid)	Total Fringe	Total Other Salary	Total Extra Duty	Salary Paid by Fed Funds	Fringe Paid by Fed Funds
970	1.000	260	260	106	ASST SUPERINTENDENT		90670.00	0.00	6158.00			0.00	0.00
					TOTAL OTHER SALARY			0.00		9920.00		0.00	0.00
							90,670.00	0.00	6,158.00	9,920.00	0.00	0.00	0.00

OKLAHOMA STATE DEPARTMENT OF EDUCATION
Accreditation Standards
School Personnel Records

OKLAHOMA ANNUAL CERTIFIED PERSONNEL REPORT
FOR THE YEAR ENDING JUNE 30th, 2017

County: 55 OKLAHOMA

District: Z001 EPIC ONE ON ONE CHARTER SCHOOL

Teacher #	Last Name	First Name	MI	Sex	Degree Held	Year Cert. Exp.	Exp: Oklahoma	Out of State	Military	Tot. Exp.	RFL		
				M	5	2024	19	0	0	19			
Site	Fract of Day Empl	No. of Days	Contract Days	Job Code	Job Description	Subject Code	Base Salary	Retirement (Dist Paid)	Total Fringe	Total Other Salary	Total Extra Duty	Salary Paid by Fed Funds	Fringe Paid by Fed Funds
970	1.000	260	260	106	ASST SUPERINTENDENT		96735.00	0.00	6588.00			0.00	0.00
					TOTAL OTHER SALARY			0.00		9720.00		0.00	0.00
							96,735.00	0.00	6,588.00	9,720.00	0.00	0.00	0.00

10/17/2017

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CODE

55

Z001

970

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EPIC ONE ON ONE CHARTER
ES

Class Code	Description	Class Type	Sections	Semesters	Units	Lab	Adjunct	Gifted	Honors	Pre AP	Assistant Names
1953	Director/Coordinator	T	0		0.00						
Non Teaching Assignment		0 Students									

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EPIC CHARTER SCHOOL
Employee Salary Summary

Page 99

Report Options: Date Range: 07/01/2015 - 06/30/2016 Year: 2016 ECI1: 000-329,331,332,334,335,336-999 ECI3: 110-229,250-269,274-299

Name	fYear	Fund	P. O.	Classification							Amount
<div></div>	2016	11	50248	000	1000	110	100	1050	210	971	\$13,169.30
	2016	11	50248	000	1000	170	100	1050	210	971	\$90.00
	2016	11	50248	000	1000	253	100	1050	210	971	\$1,259.63
	2016	11	50248	331	1000	115	100	1050	210	971	\$627.39
Total JobClass											\$15,146.32
Total Employee											<u>\$15,146.32</u>
<div></div>	2016	11	50146	000	1000	110	100	1050	210	971	\$3,250.65
	2016	11	50146	000	1000	110	239	1050	210	971	\$14,641.43
	2016	11	50146	000	1000	170	239	1050	210	971	\$120.00
	2016	11	50146	000	1000	171	100	1050	210	971	\$5,750.00
	2016	11	50146	000	1000	253	100	1050	210	971	\$308.79
	2016	11	50146	000	1000	253	239	1050	210	971	\$1,402.37
Total JobClass											\$25,473.24
Total Employee											<u>\$25,473.24</u>
<div></div>	2016	11	50096	000	2321	110	000	0000	106	971	\$90,670.00
	2016	11	50096	000	2321	170	000	0000	106	971	\$120.00
	2016	11	50096	000	2321	171	000	0000	106	971	\$9,800.00
	2016	11	50096	000	2321	253	000	0000	106	971	\$8,625.08
	2016	11	50096	334	2321	213	000	0000	106	971	\$6,157.80

EPIC ONE-ON-ONE CHARTER SCHOOL

Job Salary / Benefit Summary

Options: Year: 2016-2017, Funds: 11, Schedule Type: Monthly, SemiMonthly, BiWeekly, Weekly, Date Range: 7/1/2016 - 8/31/2017, Employees: All, Paid Options:
Print Paid And Unpaid Items, Order By: Alphabetically

Name	Unit-Job-Sbj-Prg-Obj	Fraction of Day	Amount	Fed Prj 1	Fed Amt 1	Fed Prj 2	Fed Amt 2	Fed Prj 3	Fed Amt 3	Fed Prj 4	Fed Amt 4	Fed Prj 5	Fed Amt 5	Fed Prj 6	Fed Amt 6	Fed Prj 7	Fed Amt 7
Benefits			5,673.18														
	971-210-331		139.42														
	971-210-334		5,533.76														
Total Employee:			46,040.71														

Salary			46,832.85														
	971-210- - -110	1.000	40,087.85														
	971-210- - -170		120.00														
	971-210- - -171		6,625.00														
Benefits			5,673.18														
	971-210-331		139.42														
	971-210-334		5,533.76														
Total Employee:			52,506.03														

Salary			7,150.85														
	971-210- - -110	1.000	4,250.85														
	971-210- - -170		400.00														
	971-210- - -171		2,500.00														
Benefits																	
Total Employee:			7,150.85														

Salary			106,455.00														
	971-106- - -110	1.000	96,735.00														
	971-106- - -170		120.00														
	971-106- - -171		9,600.00														
Benefits			6,587.52														
	971-106-334		6,587.52														
Total Employee:			113,042.52														

Salary			61,492.50														
	050-322- - -120		45,000.00	511	30,269.10												
	050-322- - -171		16,012.50														
	050-322- - -180		380.00														
	971-109- - -180		100.00														
Benefits			6,587.52														
	050-322-335		6,587.52														

EPIC ONE-ON-ONE CHARTER SCHOOL

Job Salary / Benefit Summary

Options: Year: 2017-2018, Funds: 11, Schedule Type: Monthly, SemiMonthly, BiWeekly, Weekly, Date Range: 7/1/2017 - 8/31/2018, Employees: All, Paid Options:
Print Paid And Unpaid Items, Order By: Alphabetically

Name	Unit-Job-Sbj-Prg-Obj	Fraction of Day	Amount	Fed Prj 1	Fed Amt 1	Fed Prj 2	Fed Amt 2	Fed Prj 3	Fed Amt 3	Fed Prj 4	Fed Amt 4	Fed Prj 5	Fed Amt 5	Fed Prj 6	Fed Amt 6	Fed Prj 7	Fed Amt 7
	970-343- - -180		10.00														
	Benefits		189.69														
	970-343-332		189.69														
	Total Employee:		3,372.77														

	Salary		27,419.57														
	970-614- - -120		869.57														
	970-614- - -180		50.00														
	971-614- - -120		2,750.00														
	971-614- - -180		50.00														
	972-210- - -170		2,950.00														
	972-415- - -120		20,750.00														
	Benefits		6,043.25														
	970-614-332		189.69														
	971-614-335		594.90														
	972-415-335		5,258.66														
	Total Employee:		33,462.82														

	Salary		44,523.65														
	971-210- - -110	1.000	34,923.65														
	971-210- - -170		600.00														
	971-210- - -171		9,000.00														
	Benefits		5,992.98														
	970-210-331		139.42														
	970-210-334		5,853.56														
	Total Employee:		50,516.63														

	Salary		124,101.28														
	970-210- - -171		20,448.00														
	971-609- - -120		103,533.28														
	971-609- - -180		120.00														
	Benefits		6,995.64														
	971-106-334		6,995.64														
	Total Employee:		131,096.92														

	Salary		64,533.30														
	050-305- - -120		45,833.30														



Epic Charter School

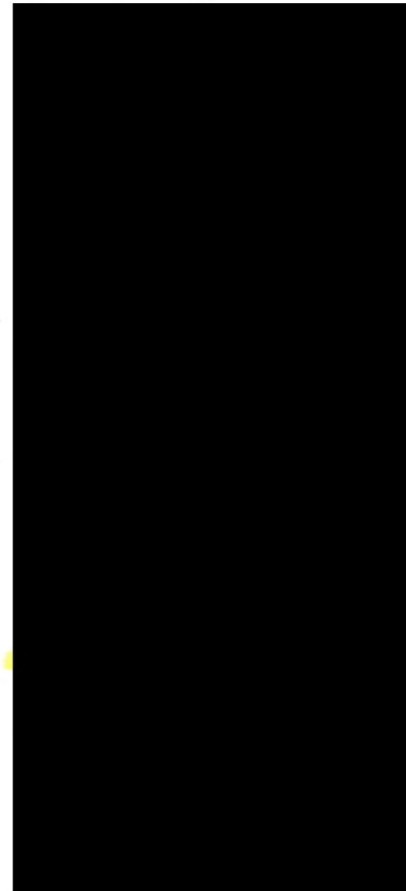
*List of Employees Serving **Panola** Currently*

List of Employees	

Source: Josh Brock, CFO
Purpose: Support for H 100.01 & H 200.02

Epic Charter School
NGE Cost Allocation July 2019

Staff Member



Salary

\$	3,355.44
\$	4,823.02
\$	6,716.67
\$	5,239.69
\$	6,716.67
\$	9,216.67
\$	2,650.76
\$	9,216.67
\$	4,050.00
\$	3,449.30
\$	7,966.67
\$	9,216.67
\$	6,716.67
\$	5,457.72
\$	5,050.00
\$	3,156.36
\$	2,550.00
\$	3,632.00
\$	4,827.16
\$	5,902.82
\$	2,966.67
\$	6,300.00
\$	4,432.86
\$	4,176.67
\$	11,777.81
\$	4,216.67
\$	5,966.67
\$	4,925.00
\$	154,673.31
	749.39
	27479.99
	2.73%
\$	4,218.00

Source: Josh Brock, CFO
Purpose: Support for H 100.01 & H 200.02

Last name, First name		Job Title
	10/01/2014	504 Coordinator
	11/01/2013	504 Specialist
	06/10/2019	504 Specialist
	06/10/2019	504 Specialist
	07/14/2014	Accounts Finance Manager
	04/08/2019	Accounts Payable Analyst
	02/17/2015	Accounts Payable Support Manager
	07/01/2017	ACT Instructional Coach
	06/10/2019	Admissions and Enrollment Specialist
	02/19/2019	Admissions and Enrollment Specialist
	08/19/2019	Admissions and Enrollment Specialist
	02/19/2019	Admissions and Enrollment Specialist
	10/07/2019	Assessments Manager
	09/08/2019	Asset Manager
	09/08/2019	Asset Manager
	06/20/2018	Asset Manager
	02/01/2013	Assistant Superintendent of Accountability
	10/02/2017	Assistant Superintendent of Communications
	06/01/2016	Assistant Superintendent of Instruction
	05/15/2017	Assistant Superintendent of Instruction
	04/01/2014	Assistant Superintendent of School Improvement
	02/10/2015	Assistant Superintendent of Student Services
	01/17/2014	Assistant Superintendent of Technology
	12/27/2011	Creative Director
	10/01/2015	Director of Legal Services
	12/19/2016	Managing Director of Human Resources
	01/01/2014	Managing Director of Instruction

Information from SAI original audit				SDE - School Personnel Records		SDE Accreditation	EPIC Payroll		EPIC Online Directory	EPIC Org Chart	EPIC Invoices	EPIC Headcount Document
Head Count	Employee Name	Hire Date	Year	SPR Job Code	SPR Job Title	One to One Accreditation	Payroll Code	Epic Payroll	Administrative Directory	Staff Roster Organization Chart	Panola School Next Generation	EPIC Headcount Job Title
10			2015	106	Deputy Superintendent	Director/Coordinator	106	Deputy Superintendent	n/a	Assistant Superintendent	Panola School Next Generation	Assistant Superintendent of School Improvement
			2016	106	Deputy Superintendent	Director/Coordinator	106	Deputy Superintendent	n/a	Assistant Superintendent		
			2017	106	Deputy Superintendent	Director/Coordinator	106	Deputy Superintendent	n/a	Assistant Superintendent		
			2018	106	Deputy Superintendent	Director/Coordinator	106	Deputy Superintendent	n/a	Asst Supt Talent Acq		
			2019	109/106	Manager/Dep Superintendent	Director/Coordinator	106	Deputy Superintendent	n/a	Asst Supt Talent Acq		
11			2015	109	Manager	n/a	106	Deputy Super	n/a	Dir of Student Services	Panola School Next Generation	Assistant Superintendent of Student Services
			2016	109	Manager	n/a	106	Deputy Super	Managing Dir Student Support	Dir of Student Services		
			2017	109	Manager	n/a	106/609	Deputy Super	Managing Dir Student Support	Dir of Student Services		
			2018	109	Manager	n/a	609	Gen Office Staff	Managing Dir Student Support	Dir of Student Services		
			2019	109	Manager	n/a	322	FCSC	Managing Dir Student Support	Dir of Student Services		

EPIC Headcount Document	EPIC HR	EPIC Job Code Explanations	SDE review of all available documents	SAI original Audit	SDE Final Cost calculated	SDE Decision	
EPIC Headcount Job Title	Employment Contract	Epic Argument for Non admin Cost	State Department of Education Admin Cost Review	SAI Total Admin Costs	SDE Total Admin Costs	Concur with SAI	Concur with EPIC
Assistant Superintendent of School Improvement	n/a	No Explanation Provided By Epic	1. Employee hired in 2014 as Superintendent of School Improvement	\$ 100,071.31	\$ 100,071.31	Y	N
			2. Reported in SPR as JC: 106 (admin) & paid under JC: 106	\$ 115,372.88	\$ 115,372.88	Y	N
			3. Classified as Admin staff on EPIC Headcount source document	\$ 113,042.52	\$ 113,042.52	Y	N
			4. Organization Chart - shows employee having supervisory role	\$ 131,096.92	\$ 131,096.92	Y	N
			5. Reported under Admin cost - Panola School and Next Generation	\$ 153,180.91	\$ 153,180.91	Y	N
Assistant Superintendent of Student Services	n/a	No Explanation Provided By Epic	1. Employee hired in 2015 as Asst Superintendent of Student Services	\$ 27,404.04	\$ 27,404.04	Y	N
			2. Reported in SPR as JC: 109 Manager (admin)	\$ 96,971.10	\$ 96,971.10	Y	N
			3. Paid under JC: 106 (admin)	\$ 114,807.42	\$ 114,807.42	Y	N
			4. Classified as Admin staff on EPIC Headcount source document	\$ 141,410.29	\$ 141,410.29	Y	N
			5. Reported under Admin cost - Panola School and Next Generation	\$ 147,460.51	\$ 147,460.51	Y	N

Final Determination

	Special Investigative Audit	Epic's Audit Review	OSDE's Independent Review
Illegal disbursement, receipt and/or expenditure of state funds	\$11,235,920	\$307,148	\$9,111,727.60